STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

In re: MVP Health Insurance Company 3rd and 4th Quarter 2017 Large Group EPO/PPO Manual Rate Filing	))))	GMCB-03-17-rr

MEMORANDUM IN LIEU OF HEARING

The HCA asks the Green Mountain Care Board to eliminate MVP Health Insurance Company's proposed 2% contribution to reserves in the above captioned filing. The filing does not justify this additional cost to consumers.

I. Background

MVP Health Insurance Company (MVP) submitted its Third and Fourth Quarter 2017 Large Group Manual Rate Filing for review by the Green Mountain Care Board (GMCB) on February 8, 2017. The filing impacts an estimated 2,196 Vermonters. MVP requests a 4.6% quarterly manual rate increase for all product members in the above captioned filing which translates to a 5.4% annual increase for third quarter group renewals and 7.7% for fourth quarter group renewals. The increase will be added to premium increases for first and second quarter group renewals later this year.

The Department of Financial Regulation (DFR) filed its Solvency analysis for this filing on April 3, 2017 and Lewis and Ellis (L&E), the GMCB's contracted actuarial firm, filed its Actuarial Memorandum on April 10, 2017. The Office of Health Care Advocate (HCA) entered an appearance pursuant to GMCB Rule 2.000 §§2.105(b) and 2.303. Both parties have waived the hearing for the filing.

II. Standard of Review

Health insurance organizations operating in Vermont have the burden of showing that their rates are reasonable and meet statutory criteria. GMCB Rule 2.104(c). The insurers must obtain approval from the GMCB before implementing health insurance rate changes. 8 V.S.A. §4062(a). The GMCB may approve, modify, or disapprove requests for health insurance rates. 18 V.S.A. §9375(b)(6); 8 V.S.A. §4062(a). "In deciding whether to approve, modify, or disapprove each rate request, the GMCB shall determine whether the requested rate is affordable, promotes quality care, promotes access to health care, protects insurer solvency, is not unjust, unfair, inequitable, misleading, or contrary to law, and is not excessive, inadequate, or unfairly discriminatory." GMCB Rule 2.000 §2.301(b); GMCB Rule 2.000 §2.401; 8 V.S.A. §4062(a)(3).

In making its decision, the GMCB must consider the requirements of the underlying statutes, changes in health care delivery, changes in payment methods and amount, the Solvency Analysis prepared by DFR in connection with each filing and other issues at the discretion of the GMCB. GMCB Rule 2.000 §2.401; *see also* 18 V.S.A. §9375(b)(6). Further, the GMCB "shall consider any [public] comments received on a rate filing and may use them to identify issues." GMCB Rule 2.000 §2.201(d). The record for rate review includes the entire System for Electronic Rate and Form Filing (SERFF filing) submitted by the insurer, questions posed by the GMCB to its actuaries, questions posed to the insurer by the GMCB, its actuaries, and DFR, DFR's Solvency Analysis, and the Opinion from the GMCB's actuary. GMCB Rule 2.000 §2.403(a).

III. Review of Actuarial Opinions

In the hearing for last year's MVP Exchange filing, Jackie Lee from L&E testified that elements of a rate review filing should not be padded to protect against volatility: "We think each component should be the best estimate and … any contribution to reserves or risk for volatility

should be housed within the contribution to reserves." GMCB-07-16rr, Hearing Transcript, p. 86, lines 6-9. While L&E did not recommend changes to this filing, L&E observed issues with this filing and previous filings for this product where MVP guarded against uncertainty by padding individual elements of the filing instead of relying on its contribution to reserves.

First, in the current filing L&E discusses MVP's pooling charge of 9.2%. GMCB-03-17-rr, L&E Actuarial Memorandum, page 4. L&E notes that, "[a]s with the prior filing, recent experience has had fewer catastrophic claims than are assumed in this charge. It has been several years since the high dollar claims on this block were as high as 9.2%. However, this assumption is based on long-term experience for New York as well as Vermont." GMCB-03-17-rr, L&E Actuarial Memorandum, page 4. L&E goes on to say that MVP includes New York experience to protect against volatility and "[t]his assumption should be monitored in future filings." GMCB-03-17-rr, L&E Actuarial Memorandum, page 4.

Second, L&E states, "[w]hile the assumed administrative load is higher than recent actual expenses on a percentage basis, MVP is anticipating that enrollment in 2017 will be materially lower than in prior years." GMCB-03-17-rr, L&E Actuarial Memorandum, page 5. MVP increased its administrative load from 8% to 9.7% in the prior filing for this product. GMCB-10-16-rr, MVP Actuarial Memorandum, page 1.

In last year's MVP 3Q/4Q 2016 Large Group EPO/PPO filing, L&E pointed out that based on "experience data, trend projections, and other claim cost projections" the filing supports a much larger rate decrease of 16.1%, while MVP requested a decrease of 8.1% to "reduce the necessary rate increases in the future." GMCB-04-16-rr, L&E Actuarial Memorandum, page 5. L&E recommended a middle ground of an 11.8% decrease. GMCB-04-16-rr, L&E Actuarial

Memorandum, page 5. The Board implemented L&E's recommended decrease. GMCB-04-16-rr, Decision, p.6.

Later in 2016, MVP submitted its 1Q/2Q 2017 Large Group EPO/PPO filing. For the second filing in a row L&E pointed out, "[t]he experience data, trend projections, and other claim cost projections support a more substantial rate decrease than is being proposed in this filing. As in the 3Q/4Q filing, MVP is requesting that the rate decrease be reduced from what is suggested by the data due to volatility." GMCB-10-16rr, L&E Actuarial Memorandum, p. 5.

IV. Analysis

The contribution to reserves should be eliminated as unjust, unfair, inequitable, and misleading, because MVP has guarded against volatility and uncertainty by padding its rates in several ways. L&E has testified that MVP should use its contribution to reserves to guard against volatility, not individual elements of the filing. Because MVP has overcharged for individual elements, a contribution to reserves is redundant. It should also be noted that although rate volatility is a possibility, volatility can go both ways: up or down. It is not proof that rates need to be higher.

First, MVP is overcharging in its estimate for its pooling charge by including New York experience even though it is clear that the populations are not comparable. This has resulted in an inaccurately high estimate of future costs for the Vermont population for several years in a row.

Second, MVP overcharged for the last two filings to guard against volatility and has not accounted for this money. It appears the money that MVP claimed would reduce future rate increases has simply gone to reserves.

Third, MVP is overcharging for administrative costs because it is anticipating reduced enrollment. As explained above, MVP increased its administrative charge in the last filing from

8% of the filing to 9.7%. This large increase is more than is needed for current costs. MVP could have planned to increase administrative efficiencies if its population shrinks. Although this product has a small population, MVP Health Insurance Company is a large entity that should be able to handle changes in population without shifting the full burden to consumers. Also, because MVP files rates for this product twice per year, MVP could have implemented a small increase or no increase now and waited to see if the population decrease occurs.

Further, as the HCA has repeatedly argued, MVP should not tie its administrative charges to its premium amount. There is little correlation between premium rate changes and administrative cost fluctuations. MVP calculates administrative costs on it Exchange products by a per member per month charge. The HCA urges the Board to require MVP to present administrative costs in all filings as a flat charge, not a percentage of premiums. Because MVP's administrative charge is a percent of premiums, the increase from 8% to 9.7% was more reasonable in the first and second quarter filing when premiums were decreasing than it is for the current filing where premiums are increasing. The practice of charging a percentage of premiums also compounds the issue of MVP padding separate elements of its filing and not fully implementing the manual rate decreases for the last two filings. Because these actions increased premiums, they also increased administrative charges regardless of actual increases in administrative costs.

V. Conclusion

The HCA asks the GMCB to protect consumers against unjust, unfair, inequitable, and misleading rates by eliminating the contribution to reserves for this filing.

Dated at Montpelier, Vermont this 24th day of April, 2017.

s/ *Kaili Kuiper*
Kaili Kuiper
Staff Attorney
Office of Health Care Advocate

CERTIFICATE OF SERVICE

I, Kaili Kuiper, hereby certify that I have served the above Memorandum on Judith Henkin, General Counsel to the Green Mountain Care Board, Noel Hudson, Health Policy Director of the Green Mountain Care Board, and Susan Gretkowski, representative of MVP, by electronic mail, return receipt requested this 24th day of April, 2017.

s/ *Kaili Kuiper*
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